

CARROLL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012

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**Carroll Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Kim Tiefenthaler	President	2011
Jerry Fleshner	Vice President	2013
Dennis Molitor	Board Member	2013
Amy Fordyce	Board Member	2011
LaVern Dirkx	Board Member	2011
<b>Board of Education (After September 2011 Election)</b>		
Kim Tiefenthaler	President	2015
Jerry Fleshner	Vice President	2013
Dennis Molitor	Board Member	2013
LaVern Dirkx	Board Member	2015
Dan Tiefenthaler	Board Member	2015
<b>School Officials</b>		
Robert Cordes	Superintendent	2012
Gary Bengtson	Director of Business Affairs	2012
Gruhn Law Firm	Attorney	2012
Neu, Minnich, Comito & Neu, P.C.	Attorney	2012

**Carroll Community School District**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Carroll, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of  
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District, Carroll Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2013 on our consideration of Carroll Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited the three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Carroll Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,880,739 in fiscal 2011 to \$17,564,412 in fiscal 2012, while General Fund expenditures increased from \$16,569,977 in fiscal 2011 to \$16,766,732 in fiscal 2012. Revenues outpaced expenses resulting in an increase of the District's General Fund balance from \$3,858,869 in fiscal 2011 to \$4,656,549 in fiscal 2012, a 20.67% increase from the prior year.
- The increase in General Fund revenues was attributable to increased funding from state sources. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio increased from 20.31% for fiscal year 2011 compared 24.26% for fiscal year 2012.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Carroll Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Carroll Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

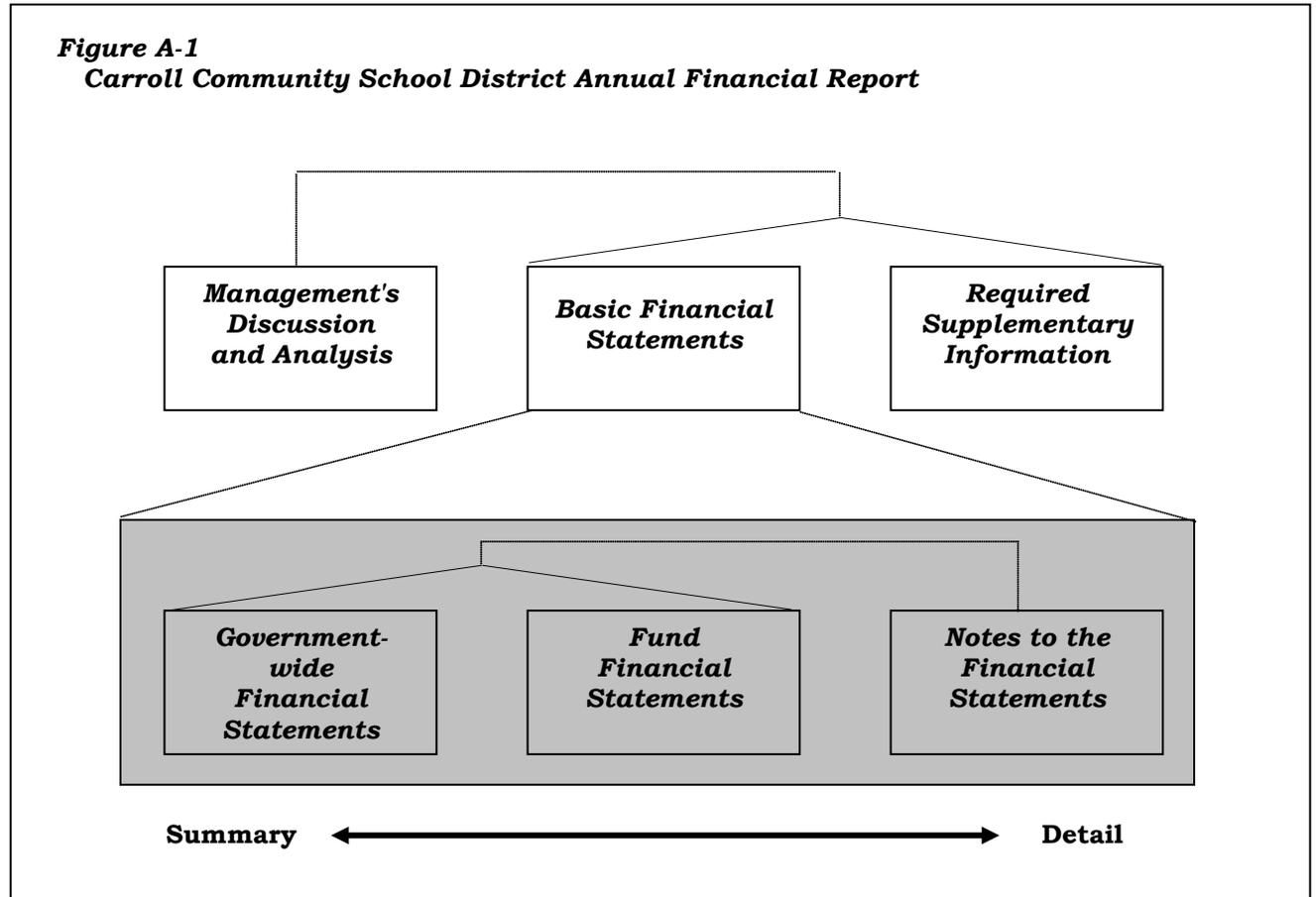


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund. The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 17,034,201	15,467,963	253,057	226,657	17,287,258	15,694,620	10.15%
Capital assets	16,162,036	16,170,114	73,119	63,632	16,235,155	16,233,746	0.01%
Total assets	33,196,237	31,638,077	326,176	290,289	33,522,413	31,928,366	4.99%
Long-term obligations	2,415,448	2,846,473	13,181	13,388	2,428,629	2,859,861	-15.08%
Other liabilities	9,464,507	9,151,050	19,598	15,576	9,484,105	9,166,626	3.46%
Total liabilities	11,879,955	11,997,523	32,779	28,964	11,912,734	12,026,487	-0.95%
Net assets:							
Invested in capital assets, net of related debt	14,237,036	13,690,114	73,119	63,632	14,310,155	13,753,746	4.05%
Restricted	3,386,775	3,033,039	-	-	3,386,775	3,033,039	11.66%
Unrestricted	3,692,471	2,917,401	220,278	197,693	3,912,749	3,115,094	25.61%
Total net assets	\$ 21,316,282	19,640,554	293,397	261,325	21,609,679	19,901,879	8.58%

The District's combined net assets increased by 8.58%, or \$1,707,800, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 11.66%, or \$353,736, over the prior year. Increases in fund balances for the Management Levy Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund are the main reasons for the increase in restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$797,655, or 25.61%. This is due mainly to the increase in General Fund unassigned balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
2012	2011	2012	2011	2012	2011	2011-12	
Revenues:							
Program revenues:							
Charges for services	\$ 1,135,495	1,013,579	455,465	443,229	1,590,960	1,456,808	9.21%
Operating grants, contributions and restricted interest	2,308,495	1,955,388	400,278	385,710	2,708,773	2,341,098	15.71%
Capital grants, contributions and restricted interest	-	-	10,459	-	10,459	-	100.00%
General revenues:							
Property tax	7,662,181	7,197,546	-	-	7,662,181	7,197,546	6.46%
Statewide sales, services and use tax	1,262,655	1,548,102	-	-	1,262,655	1,548,102	-18.44%
Unrestricted state grants	7,503,475	7,257,119	-	-	7,503,475	7,257,119	3.39%
Non-specific program federal grants	312,954	211,040	-	-	312,954	211,040	48.29%
Unrestricted investment earnings	3,285	8,755	267	306	3,552	9,061	-60.80%
Other	53,359	156,434	-	6,267	53,359	162,701	-67.20%
Total revenues	<u>20,241,899</u>	<u>19,347,963</u>	<u>866,469</u>	<u>835,512</u>	<u>21,108,368</u>	<u>20,183,475</u>	<u>4.58%</u>
Program expenses:							
Governmental activities:							
Instructional	11,793,640	11,618,805	-	-	11,793,640	11,618,805	1.50%
Support services	5,433,385	4,843,164	24,945	12,011	5,458,330	4,855,175	12.42%
Non-instructional programs	-	-	809,452	749,219	809,452	749,219	8.04%
Other expenses	1,339,146	1,415,507	-	-	1,339,146	1,415,507	-5.39%
Total expenses	<u>18,566,171</u>	<u>17,877,476</u>	<u>834,397</u>	<u>761,230</u>	<u>19,400,568</u>	<u>18,638,706</u>	<u>4.09%</u>
Change in net assets	1,675,728	1,470,487	32,072	74,282	1,707,800	1,544,769	10.55%
Net assets beginning of year	19,640,554	18,170,067	261,325	187,043	19,901,879	18,357,110	8.42%
Net assets end of year	<u>\$ 21,316,282</u>	<u>19,640,554</u>	<u>293,397</u>	<u>261,325</u>	<u>21,609,679</u>	<u>19,901,879</u>	<u>8.58%</u>

In fiscal 2012, property tax and unrestricted state grants account for 74.92% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.76% of the revenue from business type activities.

The District's total revenues were approximately \$21.11 million, of which approximately \$20.24 million was for governmental activities and approximately \$0.87 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.58% increase in revenues and a 4.09% increase in expenses. Property tax revenues increased \$464,635 to fund the increase in expenses. The increase in expenses is related to increases in the negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$20,241,899 and expenses were \$18,566,171.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 11,793,640	11,618,805	1.50%	9,469,267	9,823,968	-3.61%
Support services	5,433,385	4,843,164	12.19%	4,987,573	4,412,814	13.02%
Other expenses	1,339,146	1,415,507	-5.39%	665,341	671,727	-0.95%
Totals	<u>\$ 18,566,171</u>	<u>17,877,476</u>	<u>3.85%</u>	<u>15,122,181</u>	<u>14,908,509</u>	<u>1.43%</u>

- The cost financed by users of the District's programs was \$1,135,495.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,308,495.
- The net cost of governmental activities was financed with \$7,662,181 in property tax, \$1,262,655 in statewide sales, services and use tax, \$7,503,475 in unrestricted state grants, \$312,954 in nonspecific program federal grants, \$3,285 in interest income and \$53,359 in other general revenues.

## Business type Activities

Revenues of the District's business type activity were \$866,469 and expenses were \$834,397. The District's business type activity is the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service, federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Carroll Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,579,923, above last year's ending fund balances of \$6,330,033. The primary reason for the increase in combined fund balances was the improvement in General Fund balance.

## Governmental Fund Highlights

- The increase in General Fund revenues was attributable to increased funding from state sources. General Fund expenditures increased from \$16,569,977 in fiscal 2011 to \$16,766,732 in fiscal 2012 due in part to increases in negotiated salaries and benefits received by District employees. The difference between fiscal 2012 revenues of \$17,564,412 and expenses of \$16,766,732 results in a net increase in fund balance of \$797,680. As a result, the District's General Fund balance increased from \$3,858,869 in fiscal 2011 to a balance of \$4,656,549 in fiscal 2012. This represents a 20.67% increase from the prior year.
- The Capital Projects Fund balance increased from \$1,535,098 at June 30, 2011 to \$1,634,793 at the end of fiscal year 2012.

## Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was unable to match the increase in expenses, but still exceeded expenses in total and led to an increase in fund balance. Overall, net assets increased from \$261,325 at June 30, 2011 to \$293,397 at June 30, 2012, representing an increase of 12.27%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$239,619 more than budgeted revenues, a variance of 1.15%. The most significant dollar variance resulted from the District receiving more from federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures in excess of those anticipated for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$16,235,155, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.01% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$876,346.

The original cost of the District's capital assets was \$34,025,588. Governmental funds account for \$33,524,176 with the remainder of \$501,412 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,742,034 at June 30, 2011 as compared to \$2,138,586 at June 30, 2012. The increase in machinery and equipment is due in part to the purchase of two new buses and other vehicles during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2011-12
Land	\$ 694,070	694,070	-	-	694,070	694,070	0.00%
Buildings	11,983,235	12,373,593	-	-	11,983,235	12,373,593	-3.15%
Land improvements	1,419,264	1,424,049	-	-	1,419,264	1,424,049	-0.34%
Machinery and equipment	2,065,467	1,678,402	73,119	63,632	2,138,586	1,742,034	22.76%
Total	\$ 16,162,036	16,170,114	73,119	63,632	16,235,155	16,233,746	0.01%

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## Long-Term Debt

At June 30, 2012, the District had \$2,428,629 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 15.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,925,000 at June 30, 2012.

The District had total outstanding compensated absences of \$58,372 at June 30, 2012.

The District had outstanding early retirement benefits payable from the Special Revenue, Management Levy Fund of \$75,000 at June 30, 2012.

The District also had total net OPEB liability of \$370,257 at June 30, 2012.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General Obligation Bonds	\$ 1,925,000	2,480,000	-	-	1,925,000	2,480,000	-22.38%
Compensated Absences	58,372	50,861	-	-	58,372	50,861	14.77%
Early Retirement	75,000	-	-	-	75,000	-	100.00%
Net OPEB Liability	357,076	315,612	13,181	13,388	370,257	329,000	12.54%
Total	\$ 2,415,448	2,846,473	13,181	13,388	2,428,629	2,859,861	-15.08%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2012, the Carroll Community School District benefitted from having 99.8 students open enrolled into the District compared to only 48.3 students open enrolled out of the District.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Carroll Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

**Carroll Community School District**

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 8,519,399	234,882	8,754,281
Receivables:			
Property tax:			
Delinquent	44,883	-	44,883
Succeeding year	7,655,024	-	7,655,024
Accounts	2,775	69	2,844
Due from other governments	791,065	-	791,065
Inventories	-	11,214	11,214
Prepaid items	21,055	6,892	27,947
Capital assets, net of accumulated depreciation	16,162,036	73,119	16,235,155
<b>Total assets</b>	<b>33,196,237</b>	<b>326,176</b>	<b>33,522,413</b>
<b>Liabilities</b>			
Accounts payable	207,505	785	208,290
Salaries and benefits payable	1,591,749	4,777	1,596,526
Accrued interest payable	10,229	-	10,229
Deferred revenue:			
Succeeding year property tax	7,655,024	-	7,655,024
Unearned revenue	-	14,036	14,036
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	570,000	-	570,000
Early retirement payable	75,000	-	75,000
Compensated absences	58,372	-	58,372
Portion due after one year:			
General obligation bonds payable	1,355,000	-	1,355,000
Net OPEB liability	357,076	13,181	370,257
<b>Total liabilities</b>	<b>11,879,955</b>	<b>32,779</b>	<b>11,912,734</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,237,036	73,119	14,310,155
Restricted for:			
Categorical funding	538,401	-	538,401
Debt service	63,215	-	63,215
Management levy purposes	937,753	-	937,753
Student activities	212,613	-	212,613
School infrastructure	1,472,959	-	1,472,959
Physical plant and equipment	161,834	-	161,834
Unrestricted	3,692,471	220,278	3,912,749
<b>Total net assets</b>	<b>\$ 21,316,282</b>	<b>293,397</b>	<b>21,609,679</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants, and Restricted Contributions Interest	Capital Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	Total	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,573,900	604,753	126,326	-	(6,842,821)	-	(6,842,821)
Special	2,111,206	134,127	126,194	-	(1,850,885)	-	(1,850,885)
Other	2,108,534	330,563	1,002,410	-	(775,561)	-	(775,561)
	<u>11,793,640</u>	<u>1,069,443</u>	<u>1,254,930</u>	<u>-</u>	<u>(9,469,267)</u>	<u>-</u>	<u>(9,469,267)</u>
Support services:							
Student	621,443	-	177,438	-	(444,005)	-	(444,005)
Instructional staff	638,166	-	229	-	(637,937)	-	(637,937)
Administration	1,435,772	-	-	-	(1,435,772)	-	(1,435,772)
Operation and maintenance of plant	1,557,300	-	-	-	(1,557,300)	-	(1,557,300)
Transportation	1,180,704	66,052	202,093	-	(912,559)	-	(912,559)
	<u>5,433,385</u>	<u>66,052</u>	<u>379,760</u>	<u>-</u>	<u>(4,987,573)</u>	<u>-</u>	<u>(4,987,573)</u>
Long-term debt interest	72,031	-	-	-	(72,031)	-	(72,031)
Other expenses:							
AEA flowthrough	673,805	-	673,805	-	-	-	-
Depreciation(unallocated)*	593,310	-	-	-	(593,310)	-	(593,310)
	<u>1,267,115</u>	<u>-</u>	<u>673,805</u>	<u>-</u>	<u>(593,310)</u>	<u>-</u>	<u>(593,310)</u>
Total governmental activities	<u>18,566,171</u>	<u>1,135,495</u>	<u>2,308,495</u>	<u>-</u>	<u>(15,122,181)</u>	<u>-</u>	<u>(15,122,181)</u>
Business type activities:							
Support services:							
Administration	1,865	-	-	-	(1,865)	-	(1,865)
Operation and maintenance of plant	23,080	-	-	-	(23,080)	-	(23,080)
	<u>24,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,945)</u>	<u>-</u>	<u>(24,945)</u>
Non-instructional programs:							
Food service operations	809,452	455,465	400,278	10,459	-	56,750	56,750
Total business type activities	<u>834,397</u>	<u>455,465</u>	<u>400,278</u>	<u>10,459</u>	<u>-</u>	<u>31,805</u>	<u>31,805</u>
Total	\$ <u>19,400,568</u>	<u>1,590,960</u>	<u>2,708,773</u>	<u>10,459</u>	<u>(15,122,181)</u>	<u>31,805</u>	<u>(15,090,376)</u>
<b>General Revenues:</b>							
General Revenues:							
Property tax levied for:							
General purposes				\$ 7,203,001	-		7,203,001
Debt service				230,111	-		230,111
Capital outlay				229,069	-		229,069
Statewide sales, services and use tax				1,262,655	-		1,262,655
Unrestricted state grants				7,503,475	-		7,503,475
Nonspecific program federal grants				312,954	-		312,954
Unrestricted investment earnings				3,285	267		3,552
Other general revenues				53,359	-		53,359
Total general revenues				<u>16,797,909</u>	<u>267</u>		<u>16,798,176</u>
Change in net assets				1,675,728	32,072		1,707,800
Net assets beginning of year				19,640,554	261,325		19,901,879
Net assets end of year				\$ <u>21,316,282</u>	<u>293,397</u>		<u>21,609,679</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 5,773,657	1,462,062	1,283,680	8,519,399
Receivables:				
Property tax:				
Delinquent	39,029	1,309	4,545	44,883
Succeeding year	6,690,034	248,489	716,501	7,655,024
Accounts	907	-	1,868	2,775
Due from other governments	562,280	228,785	-	791,065
Prepaid items	21,055	-	-	21,055
<b>Total assets</b>	<b>\$ 13,086,962</b>	<b>1,940,645</b>	<b>2,006,594</b>	<b>17,034,201</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 148,630	57,363	1,512	207,505
Salaries and benefits payable	1,591,749	-	-	1,591,749
Deferred revenue:				
Succeeding year property tax	6,690,034	248,489	716,501	7,655,024
<b>Total liabilities</b>	<b>8,430,413</b>	<b>305,852</b>	<b>718,013</b>	<b>9,454,278</b>
Fund balances:				
Nonspendable	21,055	-	-	21,055
Restricted for:				
Categorical funding	538,401	-	-	538,401
Debt service	-	-	63,215	63,215
Management levy purposes	-	-	1,012,753	1,012,753
Student activities	-	-	212,613	212,613
School infrastructure	-	1,472,959	-	1,472,959
Physical plant and equipment	-	161,834	-	161,834
Unassigned	4,097,093	-	-	4,097,093
<b>Total fund balances</b>	<b>4,656,549</b>	<b>1,634,793</b>	<b>1,288,581</b>	<b>7,579,923</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,086,962</b>	<b>1,940,645</b>	<b>2,006,594</b>	<b>17,034,201</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$ 7,579,923
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,162,036
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,229)
Long-term liabilities, including general obligation bonds, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,415,448)</u>
 <b>Net assets governmental activities(page 18)</b>	 <u><u>\$ 21,316,282</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 6,652,492	1,491,724	780,620	8,924,836
Tuition	711,985	-	-	711,985
Other	204,282	564	404,237	609,083
State sources	9,037,198	132	463	9,037,793
Federal sources	958,202	-	-	958,202
Total revenues	<u>17,564,159</u>	<u>1,492,420</u>	<u>1,185,320</u>	<u>20,241,899</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,550,402	52,792	57,558	7,660,752
Special	2,133,100	-	-	2,133,100
Other	1,844,993	-	323,208	2,168,201
	<u>11,528,495</u>	<u>52,792</u>	<u>380,766</u>	<u>11,962,053</u>
Support services:				
Student	626,522	-	-	626,522
Instructional staff	386,072	287,811	-	673,883
Administration	1,433,537	-	6,356	1,439,893
Operation and maintenance of plant	1,190,797	-	147,723	1,338,520
Transportation	927,504	211,955	68,038	1,207,497
	<u>4,564,432</u>	<u>499,766</u>	<u>222,117</u>	<u>5,286,315</u>
Capital outlay	-	440,167	-	440,167
Long-term debt:				
Principal	-	-	555,000	555,000
Interest and fiscal charges	-	-	74,922	74,922
	<u>-</u>	<u>-</u>	<u>629,922</u>	<u>629,922</u>
Other expenditures:				
AEA flowthrough	673,805	-	-	673,805
Total expenditures	<u>16,766,732</u>	<u>992,725</u>	<u>1,232,805</u>	<u>18,992,262</u>
Excess(deficiency) of revenues over(under)expenditures	797,427	499,695	(47,485)	1,249,637
Other financing sources(uses):				
Operating transfers in	-	-	400,000	400,000
Operating transfers out	-	(400,000)	-	(400,000)
Sale of equipment	253	-	-	253
Total other financing sources(uses)	<u>253</u>	<u>(400,000)</u>	<u>400,000</u>	<u>253</u>
Net change in fund balances	797,680	99,695	352,515	1,249,890
Fund balances beginning of year	<u>3,858,869</u>	<u>1,535,098</u>	<u>936,066</u>	<u>6,330,033</u>
Fund balances end of year	<u>\$ 4,656,549</u>	<u>1,634,793</u>	<u>1,288,581</u>	<u>7,579,923</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 1,249,890

*Amounts reported for governmental activities in the Statement of  
 Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year are as follows:

Expenditures for capital assets	\$ 861,128	
Depreciation expense	(863,933)	
Loss on asset disposal	(5,273)	(8,078)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 555,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,891

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (75,000)	
Compensated Absences	(7,511)	
Other Postemployment Benefits	(41,464)	(123,975)

Changes in net assets of governmental activities(page 19) \$ 1,675,728

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 234,882
Accounts receivable	69
Inventories	11,214
Prepaid items	6,892
<b>Total current assets</b>	<b>253,057</b>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	73,119
<b>Total assets</b>	<b>326,176</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	785
Salaries and benefits payable	4,777
Unearned revenue	14,036
<b>Total current liabilities</b>	<b>19,598</b>
Long-term liabilities:	
Net OPEB liability	13,181
<b>Total liabilities</b>	<b>32,779</b>
<b>Net Assets</b>	
Invested in capital assets	73,119
Unrestricted	220,278
<b>Total net assets</b>	<b>\$ 293,397</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 455,465
Operating expenses:	
Administration:	
Services	250
Other	1,615
Operation and maintenance of plant:	
Services	8,145
Supplies	14,935
Total support services	24,945
Non-instructional programs:	
Food service operations:	
Salaries	259,393
Benefits	129,454
Services	2,636
Supplies	404,810
Other	746
Depreciation	12,413
Total non-instructional programs	809,452
Total operating expenses	834,397
Operating loss	(378,932)
Non-operating revenues:	
State sources	7,954
Federal sources	392,324
Interest income	267
Total non-operating revenues	400,545
Change in net assets before other financing sources	21,613
Other financing sources:	
Capital contribution	10,459
Change in net assets	32,072
Net assets beginning of year	261,325
Net assets end of year	\$ 293,397

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 451,656
Cash received from miscellaneous operating activities	5,410
Cash payments to employees for services	(384,721)
Cash payments to suppliers for goods or services	(361,051)
Net cash used in operating activities	(288,706)
Cash flows from non-capital financing activities:	
State grants received	7,954
Federal grants received	329,096
Net cash provided by non-capital financing activities	337,050
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(11,441)
Cash flows from investing activities:	
Interest on investments	267
Net increase in cash and cash equivalents	37,170
Cash and cash equivalents at beginning of year	197,712
Cash and cash equivalents at end of year	\$ 234,882
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (378,932)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	63,228
Depreciation	12,413
Decrease in prepaid items	365
Decrease in inventories	9,173
Decrease in accounts receivable	1,232
Decrease in accounts payable	(315)
Increase in salaries and benefits payable	3,968
Increase in unearned revenue	369
Decrease in other postemployment benefits	(207)
Net cash used in operating activities	\$ (288,706)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$63,228 of federal commodities.

During the year ended June 30, 2012, the Nutrition Fund received capital contributions of \$10,459 from the Captial Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 67,528
<b>Liabilities</b>	
	-
<b>Net Assets</b>	
Restricted for scholarships	67,528
<b>Total net assets</b>	<b>\$ 67,528</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2012

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 67,528
Change in net assets	67,528
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ 67,528</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served primarily includes the Cities of Carroll, Breda, Dedham, Halbur, Roselle, Mt. Carmel, Willey, Lidderdale, Templeton, and Maple River Iowa, and the predominate agricultural territory of Carroll County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Carroll Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Carroll Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's

fiduciary fund is the Private Purpose Trust Fund which is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 + years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid items.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,756,688 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Governmental Accounting Standards Board Statement Number 3 requires the categorization of District investments to give an indication of the level of risk assumed by the District at year end. The HH Series Bond held by the District is stated at fair value and is not subject to the risk categorization previously mentioned.

At June 30, 2011, the District had an investment in an HH series bond in the amount of \$35,000.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 400,000</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service fund was needed for debt relief.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 694,070	-	-	694,070
Total capital assets not being depreciated	<u>694,070</u>	<u>-</u>	<u>-</u>	<u>694,070</u>
Capital assets being depreciated:				
Buildings	21,170,823	148,056	41,864	21,277,015
Land improvements	2,161,798	54,031	-	2,215,829
Machinery and equipment	9,477,964	659,041	799,743	9,337,262
Total capital assets being depreciated	<u>32,810,585</u>	<u>861,128</u>	<u>841,607</u>	<u>32,830,106</u>
Less accumulated depreciation for:				
Buildings	8,797,230	534,494	37,944	9,293,780
Land improvements	737,749	58,816	-	796,565
Machinery and equipment	7,799,562	270,623	798,390	7,271,795
Total accumulated depreciation	<u>17,334,541</u>	<u>863,933</u>	<u>836,334</u>	<u>17,362,140</u>
Total capital assets being depreciated, net	<u>15,476,044</u>	<u>(2,805)</u>	<u>5,273</u>	<u>15,467,966</u>
Governmental activities capital assets, net	<u>\$ 16,170,114</u>	<u>(2,805)</u>	<u>5,273</u>	<u>16,162,036</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 479,512	21,900	-	501,412
Less accumulated depreciation	415,880	12,413	-	428,293
Business type activities capital assets, net	<u>\$ 63,632</u>	<u>9,487</u>	<u>-</u>	<u>73,119</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 42,035
Special	6,783
Other	14,129
Support services:	
Student	1,428
Instructional staff	8,587
Administration	3,053
Operation and maintenance	5,607
Transportation	189,001
	<u>270,623</u>
Unallocated depreciation	<u>593,310</u>
Total governmental activities depreciation expense	<u>\$ 863,933</u>
Business type activities:	
Food services	<u>\$ 12,413</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012  
Are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 2,480,000	-	555,000	1,925,000	570,000
Compensated Absences	50,861	58,372	50,861	58,372	58,372
Early Retirement	-	75,000	-	75,000	75,000
Net OPEB Liability	315,612	41,464	-	357,076	-
<b>Total</b>	<b>\$ 2,846,473</b>	<b>174,836</b>	<b>605,861</b>	<b>2,415,448</b>	<b>703,372</b>
<b>Business Type Activities</b>					
Net OPEB Liability	\$ 13,388	-	207	13,181	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 2009		
		Principal	Interest	Total
2013	3.125	% \$ 570,000	57,000	627,000
2014	3.125-3.375	590,000	39,031	629,031
2015	3.000-3.375	600,000	19,313	619,313
2016	3.000-3.375	165,000	3,975	168,975
<b>Total</b>		<b>\$ 1,925,000</b>	<b>119,319</b>	<b>2,044,319</b>

Early Retirement

The District offered a voluntary early retirement plan to all District employees. Eligible employees must be at least age fifty-five on or before July 1<sup>st</sup> the year of the retirement request. Eligible employees must have completed twenty years of continuous service or thirty years of non-continuous service to the District. The applicant must submit a written resignation to resign from the existing contract and the resignation may be contingent upon approval by the Board of Education. The application for the program must be submitted to the Superintendent on or before January 15<sup>th</sup> of the last current school year of employment. The early retirement incentive for each eligible employee is equal to a payment of 50% of the employee's base salary calculated by using the current year regular salary, and subject to a maximum of \$15,000 per individual, to be paid on July 1<sup>st</sup>, in the employee's name to the 403(b) employer sponsored defined contribution plan. At the option of the Board, the payment could be made over a period of time not to exceed five years.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$808,440, \$669,683 and \$631,108 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 231 active and 19 retired members in the plan. Employees must be age 55 or older at retirement and have twenty or more years of service to the District.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 138,000
Interest on net OPEB obligation	14,805
Adjustment to annual required contribution	(12,548)
Annual OPEB cost	<u>140,257</u>
Contributions made	(99,000)
Increase in net OPEB obligation	<u>41,257</u>
Net OPEB obligation - beginning of year	<u>329,000</u>
 Net OPEB obligation - end of year	 <u><u>\$ 370,257</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

For fiscal year 2011, the District contributed \$99,000 to the medical plan. Plan members receiving benefits contributed \$176,000, or 64.00% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 195,677	31.68%	\$ 265,677
2011	140,323	54.87%	329,000
2012	140,257	70.58%	370,257

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.311 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.311 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.331 million, and the ratio of the UAAL to the covered payroll was 14.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$766 per month for retirees less than 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection for District administrators in the following categories: dental and long-term disability. Contributions to ISEBA for these plans are paid by the respective employees.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$673,805 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 177,374
Returning Dropouts and Dropout Prevention Programs	55,078
Four-year-old Preschool State Aid	207,081
Beginning Teacher Mentoring and Induction Program	3,758
Teacher Salary Supplement	6,001
Beginning Administrator Mentoring and Induction Program	3,000
Professional Development for Model Core Curriculum	49,078
Professional Development	37,031
	<hr/>
Total	\$ 538,401
	<hr/>

**(11) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the non-instructional programs functional area exceeded the certified budget.

**Carroll Community School District**

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 10,245,904	455,732	10,701,636	10,634,250	10,634,250	67,386
State sources	9,037,793	7,954	9,045,747	9,377,040	9,377,040	(331,293)
Federal sources	958,202	392,324	1,350,526	847,000	847,000	503,526
Total revenues	<u>20,241,899</u>	<u>856,010</u>	<u>21,097,909</u>	<u>20,858,290</u>	<u>20,858,290</u>	<u>239,619</u>
<b>Expenditures/Expenses:</b>						
Instruction	11,962,053	-	11,962,053	12,541,270	12,541,270	579,217
Support services	5,286,315	24,945	5,311,260	5,608,000	5,608,000	296,740
Non-instructional programs	-	809,452	809,452	780,000	780,000	(29,452)
Other expenditures	1,743,894	-	1,743,894	2,535,038	2,535,038	791,144
Total expenditures/expenses	<u>18,992,262</u>	<u>834,397</u>	<u>19,826,659</u>	<u>21,464,308</u>	<u>21,464,308</u>	<u>1,637,649</u>
Excess(Deficiency)of revenues over(under) expenditures/expenses	1,249,637	21,613	1,271,250	(606,018)	(606,018)	1,877,268
Other financing sources, net	253	10,459	10,712	-	-	10,712
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,249,890	32,072	1,281,962	(606,018)	(606,018)	1,887,980
Balances beginning of year	6,330,033	261,325	6,591,358	6,124,639	6,124,639	466,719
Balances end of year	<u>\$ 7,579,923</u>	<u>293,397</u>	<u>7,873,320</u>	<u>5,518,621</u>	<u>5,518,621</u>	<u>2,354,699</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 1,755	1,755	0.0%	\$ 8,061	21.8%
2011	July 1, 2010	-	1,311	1,311	0.0%	9,697	13.5%
2012	July 1, 2010	-	1,311	1,311	0.0%	9,331	14.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue				
	Manage-	Student	Total	Debt	Total
	ment Levy	Activity		Service	Nonmajor
<b>Assets</b>					
Cash and pooled investments	\$ 1,007,801	213,979	1,221,780	61,900	1,283,680
Receivables:					
Property tax:					
Delinquent	3,230	-	3,230	1,315	4,545
Succeeding year	489,000	-	489,000	227,501	716,501
Accounts	1,722	146	1,868	-	1,868
<b>Total assets</b>	<b>\$ 1,501,753</b>	<b>214,125</b>	<b>1,715,878</b>	<b>290,716</b>	<b>2,006,594</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	1,512	1,512	-	1,512
Deferred revenue:					
Succeeding year property tax	489,000	-	489,000	227,501	716,501
<b>Total liabilities</b>	<b>489,000</b>	<b>1,512</b>	<b>490,512</b>	<b>227,501</b>	<b>718,013</b>
Fund balances:					
Restricted for:					
Debt service	-	-	-	63,215	63,215
Management levy purposes	1,012,753	-	1,012,753	-	1,012,753
Student activities		212,613	212,613	-	212,613
<b>Total fund balances</b>	<b>1,012,753</b>	<b>212,613</b>	<b>1,225,366</b>	<b>63,215</b>	<b>1,288,581</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,501,753</b>	<b>214,125</b>	<b>1,715,878</b>	<b>290,716</b>	<b>2,006,594</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 550,509	-	550,509	230,111	780,620
Other	26,441	377,744	404,185	52	404,237
State sources	331	-	331	132	463
Total revenues	<u>577,281</u>	<u>377,744</u>	<u>955,025</u>	<u>230,295</u>	<u>1,185,320</u>
Expenditures:					
Current:					
Instruction:					
Regular	57,558	-	57,558	-	57,558
Other	-	323,208	323,208	-	323,208
Support services:					
Administration	6,356	-	6,356	-	6,356
Operation and maintenance of plant	147,723	-	147,723	-	147,723
Transportation	68,038	-	68,038	-	68,038
Long-term debt:					
Principal	-	-	-	555,000	555,000
Interest and fiscal charges	-	-	-	74,922	74,922
Total expenditures	<u>279,675</u>	<u>323,208</u>	<u>602,883</u>	<u>629,922</u>	<u>1,232,805</u>
Excess(Deficiency) of revenues over(under) expenditures	297,606	54,536	352,142	(399,627)	(47,485)
Other financing sources:					
Operating transfers in	-	-	-	400,000	400,000
Net change in fund balances	297,606	54,536	352,142	373	352,515
Fund balances beginning of year	715,147	158,077	873,224	62,842	936,066
Fund balance end of year	<u>\$ 1,012,753</u>	<u>212,613</u>	<u>1,225,366</u>	<u>63,215</u>	<u>1,288,581</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,301,277	160,785	1,462,062
Receivables:			
Property tax:			
Delinquent	-	1,309	1,309
Succeeding year	-	248,489	248,489
Due from other governments	228,785	-	228,785
<b>Total assets</b>	<b>\$ 1,530,062</b>	<b>410,583</b>	<b>1,940,645</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 57,103	260	57,363
Deferred revenue:			
Succeeding year property tax	-	248,489	248,489
<b>Total liabilities</b>	<b>57,103</b>	<b>248,749</b>	<b>305,852</b>
Fund balances:			
Restricted for:			
School infrastructure	1,472,959	-	1,472,959
Physical plant and equipment	-	161,834	161,834
<b>Total fund balances</b>	<b>1,472,959</b>	<b>161,834</b>	<b>1,634,793</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,530,062</b>	<b>410,583</b>	<b>1,940,645</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,262,655	229,069	1,491,724
Other	500	64	564
State sources	-	132	132
Total revenues	<u>1,263,155</u>	<u>229,265</u>	<u>1,492,420</u>
Expenditures:			
Current:			
Instruction:			
Regular	40,196	12,596	52,792
Support Services:			
Instructional staff	287,811	-	287,811
Transportation	-	211,955	211,955
Capital outlay	435,288	4,879	440,167
Total expenditures	<u>763,295</u>	<u>229,430</u>	<u>992,725</u>
Excess(Deficiency) of revenues over(under) expenditures	499,860	(165)	499,695
Other financing uses:			
Transfers out	(400,000)	-	(400,000)
Net change in fund balances	99,860	(165)	99,695
Fund balances beginning year	<u>1,373,099</u>	<u>161,999</u>	<u>1,535,098</u>
Fund balances end of year	<u>\$ 1,472,959</u>	<u>161,834</u>	<u>1,634,793</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 32,357	1,687	59	-	33,985
Interest	-	400	-	(400)	-
Drama	6,203	3,646	5,225	26	4,650
Speech	-	170	2,345	2,175	-
Vocal	12,112	10,565	11,171	839	12,345
HS band	644	9,459	6,325	1,605	5,383
Football	534	37,887	21,230	(18)	17,173
Wrestling	-	4,372	6,075	1,703	-
Volleyball	2,172	5,085	4,522	5	2,740
Sports camp	850	-	-	1	851
Basketball	2,552	13,421	14,952	2	1,023
Soccer	-	2,222	4,351	2,129	-
Baseball-softball	164	12,700	12,987	203	80
Track	-	6,204	6,627	423	-
Golf	-	60	1,991	1,931	-
Swimming	-	2,067	3,190	1,123	-
Activity tickets	23,976	95,305	82,619	(12,013)	24,649
Letterwinners	114	-	-	1	115
Weight room	101	35	-	1	137
Tiger banner newspaper	465	-	-	1	466
Cheerleaders	389	2,159	2,169	1	380
HS class accounts	4,169	5,566	8,242	393	1,886
Concessions	7,997	37,704	24,579	(2,671)	18,451
Academic competitions	7,890	-	-	16	7,906
FFA	7,407	79,877	57,333	31	29,982
FCCLA	3,487	355	-	7	3,849
National Honor Society	1,685	3,032	2,867	4	1,854
Tiger trends	-	-	-	-	-
HS student council	10,584	10,147	8,099	10	12,642
Fine arts festival	982	-	100	2	884
Yearbook	8,719	21,526	21,991	33	8,287
Dance/Drill team	2,295	9,310	9,085	4	2,524
MS band	318	-	-	1	319
MS G+T Store	2,751	673	254	6	3,176
MS student council	3,190	1,810	4,820	2,398	2,578
MS youth market place	880	-	-	2	882
MS destination imagination	-	300	-	-	300
Adams student council	13,090	-	-	26	13,116
<b>Total</b>	<b>\$ 158,077</b>	<b>377,744</b>	<b>323,208</b>	<b>-</b>	<b>212,613</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 8,924,836	8,745,648	8,144,639	8,432,270	7,579,640	7,668,564	8,335,891*	7,488,451*	7,546,200*
Tuition	711,985	729,694	570,046	560,213	570,581	473,976	-	-	-
Other	609,083	543,743	639,907	648,563	708,355	735,185	-	-	-
Intermediate sources	-	-	-	-	-	19,285	-	65	228
State sources	9,037,793	8,355,863	7,387,234	8,494,094	8,457,365	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	958,202	973,015	1,717,305	494,736	475,069	505,885	546,403	698,099	661,011
<b>Total</b>	<b>\$ 20,241,899</b>	<b>19,347,963</b>	<b>18,459,131</b>	<b>18,629,876</b>	<b>17,791,010</b>	<b>17,249,843</b>	<b>7,899,942</b>	<b>7,849,099</b>	<b>7,137,754</b>
Expenditures:									
Instruction:									
Regular	\$ 7,660,752	7,574,319	7,071,859	6,790,703	6,213,698	5,969,777	6,519,588	5,643,087	5,708,589
Special	2,133,100	2,167,965	1,870,050	2,026,319	2,071,485	1,927,109	1,724,461	1,984,390	2,153,381
Other	2,168,201	2,267,888	2,235,501	2,110,621	1,921,260	1,887,533	1,008,200	1,117,162	1,066,924
Support services:									
Student	626,522	500,560	531,269	460,891	392,422	390,182	377,605	479,114	524,577
Instructional staff	673,883	658,147	568,704	497,993	500,475	538,959	371,027	481,170	296,238
Administration	1,439,893	1,390,064	1,324,408	1,391,303	1,528,113	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance									
of plant	1,338,520	1,344,703	1,297,012	1,231,896	1,247,605	1,200,735	1,073,745	1,071,520	1,039,436
Transportation	1,207,497	1,139,647	1,129,790	1,112,221	929,136	1,216,032	775,040	786,821	708,661
Other support	-	-	-	-	-	-	-	435,669	1,003
Non-instructional programs	-	-	3,268	-	115	145	-	-	-
Capital outlay	440,167	467,219	305,835	729,289	611,628	65,729	38,090	61,717	260,167
Long-term debt:									
Principal	555,000	540,000	510,000	480,000	460,000	705,000	950,000	915,000	895,831
Interest and other charges	74,922	91,825	117,419	176,933	197,593	222,942	291,216	325,908	306,827
Other expenditures:									
AEA flow-through	673,805	743,780	743,060	677,165	665,070	630,994	584,151	570,404	565,814
<b>Total</b>	<b>\$ 18,992,262</b>	<b>18,886,117</b>	<b>17,708,175</b>	<b>17,685,334</b>	<b>16,738,600</b>	<b>16,252,733</b>	<b>15,122,547</b>	<b>15,152,953</b>	<b>14,734,201</b>

\* Unable to breakout local source revenues prior to 2007 due to lack of information.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY12	\$ 36,799
National School Lunch Program	10.555	FY12	352,367 *
Special Milk Program for Children	10.556	FY12	3,158
			<u>392,324</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1701-G	206,787
Title I Grants to Local Educational Agencies	84.010	1701-GC	25,877
			<u>232,664</u>
Career and Technical Education - Basic Grants to States	84.048	FY12	<u>18,862</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>77,226</u>
Grants for State Assessments and Related Activities	84.369	FY12	<u>11,232</u>
Education Technology State Grants	84.386	FY11	<u>229</u>
Education Jobs Fund	84.410	FY11	307,827
Education Jobs Fund	84.410	FY12	5,127
			<u>312,954</u>
Heartland Area Education Agency 11:			
Special Education - Grants to States	84.027	FY12	<u>123,794</u>
Special Education - State Personnel Development	84.323	FY11	<u>2,000</u>
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	FY12	<u>400</u>
English Language Acquisition State Grants	84.365	FY12	<u>1,081</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	FY12	<u>200</u>
U.S. Department of Health and Human Services:			
Heartland Area Education Agency 11:			
Child Care and Development Block Grant	93.575	FY12	<u>122</u>
Total			<u>\$ 1,173,088</u>

\* - Includes \$63,228 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Carroll Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Carroll Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carroll Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a significant deficiency.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Carroll Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORMAN & JOHNSON, P.C.

February 22, 2013

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of  
Carroll Community School District:

Compliance

We have audited Carroll Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Carroll Community School District's major federal programs for the year ended June 30, 2012. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll Community School District's management. Our responsibility is to express an opinion on Carroll Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carroll Community School District's compliance with those requirements.

In our opinion, Carroll Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Carroll Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Carroll Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2013

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - Special Milk Program for Children
  - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Supporting Documentation - We noted check #495715 being written from a PO without an invoice or statement to be used as supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District will evaluate current procedures and will review with staff acceptable documentation when an invoice is not available.

Conclusion - Response accepted.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

CARROLL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the non-instructional programs functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District did not include commodities in the calculation of expenditures for the nutrition program which resulted in the over-expenditure in the non-instructional area. The District will continue to monitor expenditures and, if necessary, amend the budget before expenditures exceed the budget.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Activity Tickets account within the Student Activity Fund. Gift cards do not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards to be given as rewards, prizes or incentives.

Response - The District has had a policy of not purchasing gift cards for several years. In this instance that policy was circumvented and the error was not discovered in a review of the bills.

Conclusion - Response accepted.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Tiefenthaler, Board Member	Repairs	\$1,256
Stockholder, Paul and Wayne's Inc.	Bus tires per bid	\$17,844
Jerry Fleshner, Board Member		
Athletic Official	Services	\$650
Jill Weber, Preschool Teacher		
Stockholder, Stone Printing & Office Supplies	Supplies	\$39,297
Lynn Carstens, Food Service Worker		
Husband owns Electronic Specialties	Services	\$2,411

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Members do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the District employee's husband do not appear to represent a conflict of interest.

- IV-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,373,099
Revenues/transfers in:		
Statewide sales, services and use tax revenue	\$ 1,262,655	
Other local revenues	500	1,263,155
		<u>2,636,254</u>
Expenditures/transfers out:		
School Infrastructure Construction	397,151	
Equipment	328,007	
Other	38,137	
Transfers to Other Funds:		
Debt service fund	400,000	1,163,295
		<u>1,163,295</u>
Ending Balance		<u>\$ 1,472,959</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction	Property
	Per \$1,000	Tax
	of Taxable	Dollars
	Valuation	Reduced
Debt service levy	\$ 0.57672	\$ 400,000

IV-M-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District has implanted a procedure for collecting timesheets for coaches who are non-certified staff. Time-sheets are now being collected and will be available for the fiscal year 2013 audit.

Conclusion - Response accepted.

IV-N-12 Contracts - We noted a contract with Music Theater International for royalties/licensure to perform a play and that the contract was signed by the District's Drama Director on behalf of the District. Chapter 291.1 of the Code of Iowa requires the Board President to sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-O-12 Authorized Signatures - We noted during our audit, instances of Activity Fund checks clearing the bank that lacked authorized signatures. Chapter 291.1 of the Code of Iowa requires the Board President, or designee, and Board Secretary to sign all checks.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The District will review procedures to ensure proper signatures are on all checks before they are released.

Conclusion - Response accepted.